

Message Text

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ACTION NEA-12

INFO OCT-01 AF-10 EUR-25 ADP-00 NEAE-00 INRE-00 SSO-00

CCO-00 NSCE-00 USIE-00 IO-12 ACDA-19 EB-11 AID-20

MC-02 EA-11 RSR-01 CU-04 /128 W
----- 032298

O R 271420 Z MAR 73

FM USINT CAIRO

TO SECSTATE WASHDC IMMEDIATE 2805

INFO AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY TEL AVIV

AMEMBASSY TRIPOLI

AMEMBASSY TUNIS

USMISSION USUN

C O N F I D E N T I A L SECTION 1 OF 2 CAIRO 0909

EO 11652: GDS

TAGS: PGOV PINS PINT PBOR PFOR EG US CH FR

GW IS LY UR SY UK XF

SUBJ: SADAT' S ADDRESS MARCH 26

SUMMARY: KEYNOTE OF SADAT MARCH 26 SPEECH IS THAT PRESENT STAGE IS ONE OF " TOTAL CONFRONTATION." SADAT MADE EMOTIONAL PRESENTATION AND GAVE IMPRESSION OF A BELEAGUERED MAN. REGARDING FOREIGN AFFAIRS, US REMAINED VILLAIN, BECAUSE OF ITS " TOTAL SUPPORT" FOR ISRAEL. (SADAT GAVE WHAT HE SAID WERE DETAILS OF HAFEZ ISMAIL' S TALKS WITH PRESIDENT NIXON.) SADAT SAID US HAD INTENTIONALLY LEAKED NEWS OF NEW PHANTOM SKYHAWK DEAL WITH ISRAEL IN ORDER TO WAGE PSYCHOLOGICAL WARFARE AGAINST EGYPT. HE SAID EGYPTIAN/ SOVIET RELATIONSHIP WAS NOT IN " RIGHT FRAME OF REFERENCE." ON FUTURE PLANS, EGYPT WOULD CONTINUE MILITARY PREPARATIONS AS WELL AS DIPLOMATIC ACTIVITY IN ORDER TO CONVINCE WORLD THAT EGYPT IS LIVING AND CAPABLE OF CHANGING
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THE SITUATION; HE INDICATED THAT FRANCE WOULD BE APPROACHED SHORTLY. INTERNALLY, SADAT DEVOTED LONG PASSAGES TO SHARP CRITICISM OF CONSPIRATORS, STUDENT DISSIDENTS, MARXISTS, AND DISGRUNTLED JOURNALISTS WHO ARE MAKING TROUBLE AT A TIME ENTIRE STAFF. THEREFORE, THERE IS SOME ELEMENT OF COMPETITION AMONG WHO STAFF FOR AVAILABLE SPACE. DENBY SAID THAT ILO OBJECTIVE WILL BE TO SET CHARGES AT LEVEL ATTRACTIVE ENOUGH TO ENTICE SUFFICIENT PATRONAGE TO FILL UP 1400 SPACES.

PROCUREMENT

4. DENBY INFORMED MISOFFS THAT ILO IS INVOLVED IN THREE MAJOR PROCUREMENT AREAS, I. E. TECHNICAL COOPERATION SUPPORT, NEW BUILDING REQUIREMENTS AND CONTINUING REPLACEMENT OF SUPPLIES AND EQUIPMENT. TECH. COOP. PROCUREMENT WILL BE TRANSFERRED EFFECTIVE APRIL 1 FROM TCD TO DENBY'S DEPARTMENT. OTHER TWO CATEGORIES OF PROCUREMENT LODGED IN SEPARATE OFFICES OF PERSONNEL AND ADMINISTRATIVE SERVICES DEPT. DENBY INDICATED THAT OFFICE FURNITURE PURCHASED IN LAST FEW YEARS WAS GEARED TO NEW BUILDING REQUIREMENTS SO THAT THERE MAY BE A LIMITED NUMBER SUCH ITEMS NEEDED FOR NEW BUILDING. HOWEVER, OTHER FURNISHINGS FOR NEW BUILDING WILL BE REQUIRED AND DENBY HOPED TO BE ABLE TO MAKE SUBSTANTIAL US DOLLAR PURCHASES. HE WAS PARTICULARLY ENTHUSIASTIC WHEN MISOFFS INFORMED HIM OF GSA DECISION TO PERMIT ILO USE GSA STORES FOR PROCUREMENT OF EQUIPMENT AND SUPPLIES. HE THOUGHT COMBINATION OF LOWER THAN COMMERCIAL PRICES AT GSA PLUS DEVALUATION OF DOLLAR WOULD MAKE US MANUFACTURED GOODS COMPETITIVELY PRICED FOR WIDESPREAD PURCHASING.

5. DENBY WOULD APPRECIATE ADDITIONAL INFORMATION AS TO THE RANGE OF SUPPLIES, EQUIPMENT, ETC. THAT MIGHT BE AVAILABLE THROUGH GSA AND HOPED IT WOULD BE POSSIBLE TO ARRANGE DISCUSSIONS WITH GSA REPRESENTATIVES TO EXPLORE ENTIRE QUESTION. HE ASKED, FOR EXAMPLE WHETHER GSA HAD AN OUTLET IN EUROPE OR WHETHER GSA REPS IN EUROPE COULD BRIEF HIM ON PROCUREMENT. IF OPPORTUNITY EXISTS TO MAKE ECONOMIES OF SUFFICIENT SCOPE HE WOULD CONSIDER GOING OR SENDING REPRESENTATIVES TO U. S. FOR SUCH DISCUSSIONS. MISOFFS NOTED THAT MUCH OF THE INFORMATION SOUGHT BY DENBY MIGHT BE LIMITED OFFICIAL USE

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ON ITS WAY TO HIM FROM ILO WASHINGTON BRANCH OFFICE BUT THAT MISSION WOULD BE PLEASED TO ACT AS A CHANNEL OF

INFORMATION SHOULD THIS BECOME DESIRABLE.

(COMMENT: IN THIS CONNECTION IF DEPT AGREES MISSION PREPARED
BROACH SUBJECT OF PROCUREMENT THROUGH GSA WITH OTHER
SA' S IN GENEVA.)

FINANCIAL POSITION

6. ON THE SUBJECT OF CASH AVAILABILITY DENBY SAID THAT ILO
WOULD PROBABLY FACE NO SHORTAGE DURING CURRENT YEAR (DESPITE
\$2.0 MILLION COST OF DOLLAR DEVALUATION) ALTHOUGH IF U. S.
PAYMENT NOT RECEIVED CASH POSITION OF WORKING CAPITAL
FUND WOULD PROBABLY DROP FROM CURRENT 9.0 MILLION TO ABOUT
\$5.0 BY DEC. 31. SITUATION FOR NEXT BIENNIUM COMPLICATED BY
FACT THAT GOVERNING BODY APPROVED PROGRAM BASED ON EXCHANGE
RATE OF 3.8 SWISS FRANCS TO DOLLAR. BASED ON PRESUMED
EXCHANGE RATE OF 3.25, A 1974/75 DOLLAR SHORTAGE OF
APPROXIMATELY \$10.0 MILLION IS PROJECTED. HOWEVER, DENBY STATED
THAT SHOULD U. S. PAY ITS 1973 ASSESSMENT IN FULL PLUS
ARREARAGES DG WOULD BE ABLE TO FOREGO SUPPLEMENTARY BUDGET
AND/ OR ADJUSTMENT IN 1974/75 PROGRAM AT JUNE CONFERENCE.
(COMMENT: WE BELIEVE SUCH INDICATION OF U. S. PAYMENT, EVEN
IF FEASIBLE WOULD BE UNWISE IN VIEW OF IMPLICATION
DENBY' S STATEMENTS, I. E. THAT
THIS WOULD REMOVE PRESSURE FOR SAVINGS IN BUDGET.)

DEVALUATION

7. ON OVERALL SUBJECT OF DOLLAR DEVALUATION, DENBY STATED
THAT ILO/ WHO AND OTHER SA' S IN GENEVA NOW PAYING STAFF ON
BASIS EXCHANGE RATE OF SWISS FRANCS 3.41 TO DOLLAR BUT THAT
THIS RATE (FOR MONTH OF MARCH) WOULD PROBABLY BE ADJUSTED
DOWNWARD IN APRIL TO CONFORM TO CURRENT MARKET RATE. RE-
DUCTION FROM 3.67 TO 3.41 TRIGGERED POST ADJUSTMENT INCREASE
BY TWO STEPS. FURTHER REDUCTION EXCHANGE RATE WILL TRIGGER
ADDITIONAL INCREASE IN POST ADJUSTMENT.

8. DENBY INFORMED MISOFFS THAT 3.41 RATE AGREED TO BY
DGS OF PRINCIPAL GENEVA AGENCIES AT PARIS MEETING EARLY
IN MARCH. PRINCIPAL OUTCOME OF DISCUSSIONS APPARENTLY (DENBY
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WAS NOT EXPLICIT) TO HAVE CCAQ UNDERTAKE THOROUGH STUDY OF
ALL POSSIBILITIES OF MEETING EXCHANGE RATE PROBLEMS. STUDY
WILL EXPLORE SUCH ALTERNATIVES AS BUDGETING IN LOCAL CURRENCIES,
USE OF SPECIAL DRAWING RIGHTS, ESTABLISHMENT OF SEPARATE UN
FINANCIAL UNIT FOR BUDGETS, BUDGETING IN COMBINATION OF
DOLLARS AND LOCAL CURRENCIES, ETC. AS CCAQ WILL CONSIDER

RESULTS OF THIS TUDY AT ITS NEXT MEETING IN SEPTEMBER, THE
POSSIBILITY OF ANY CHANGE PRIOR THAT DATE APPEARS REMOTE.
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ACTION NEA-12

INFO OCT-01 AF-10 EUR-25 ADP-00 NEAE-00 INRE-00 SSO-00

CCO-00 NSCE-00 USIE-00 IO-12 ACDA-19 EB-11 AID-20

MC-02 EA-11 CIAE-00 DODE-00 PM-09 H-02 INR-09 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-14 RSR-01 CU-04

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O R 271420 Z MAR 73
FM USINT CAIRO
TO SECSTATE WASHDC IMMEDIATE 2806
INFO AMEMBASSY AMMAN
AMEMBASSY BEIRUT
AMEMBASSY JIDDA
AMEMBASSY KHARTOUM
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY TEL AVIV
AMEMBASSY TRIPOLI
AMEMBASSY TUNIS
USMISSION USUN

C O N F I D E N T I A L FINAL SECTION OF 2 CAIRO 0909

5. SADAT TURNED TO INTERNAL SITUATION, STRIKING OUT AT
DISSIDENT UNIVERSITY STUDENTS. HE STATED THAT US PSYCHOLOGICAL
CAMPAIGN, WHICH HAD AFFECTED EGYPT, BEGAN IN JANUARY, 1972
WITH SECRETARY ROGERS' ANNOUNCEMENT (SIC) OF PHANTOM DEAL.
EXCEPT FOR THIS REFERENCE TO US IN EGYPT' S INTERNAL CONTEXT,
SADAT PLACED MAJOR PORTION OF BLAME FOR STUDENT DISTURBANCES
ON CONSPIRATORS, REMNANT OF " CERTNERS OF POWER", AND MARXIST
ELEMENTS. HE LASHED OUT AT JOURNALISTS FOR THEIR " STRANGE
CRITICISMS" OF EGYPTIAN POLICY. HE SAID THAT PLOTTING HAS
BEEN STOPPED, BUT NOTED THAT ANY STUDENT WHO DEVIATES " WILL

NOT BE REGARDED AS A STUDENT."

6. SADAT EMPHASIZED AGAIN THAT COMING STAGE IS ONE OF " TOTAL
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CONFRONTATION". HE SAID THAT BOTH MILITARY PREPARATIONS AND
DIPLOMATIC MOVES MUST BE COMPLETED. HE REFERRED BRIEFLY TO
SUPPLY SITUATION, STATING THAT PEOPLE MUST KNOW THE TRUTH,
BUT SAID THAT THESE BURDENS SHOULD BE SHOULDERED EQUALLY BY
EGYPTIANS. HE THEN PROPOSED HIMSELF WHEN NATIONAL UNITY IS ESSENTIAL
TO WITHSTAND THE PRESSURE
BEING APPLIED BY ISRAEL AND THE UNITED STATES. HE DISMISSED
EGYPT' S PROBLEMS OF ECONOMY AND SUPPLY AS BEING MATTERS WHICH
EGYPTIANS SHOULD ENDURE. END SUMMARY.

1. ASSUME FBIS HAS FULL TEXT OF SADAT' S REMARKS DELIVERED
OVER CAIRO RADIO EVENING MARCH 26. WE HEREWITH REPORT MOST
SIGNIFICANT ASPECTS OF SPEECH.

2. SADAT SET TONE OF SPEECH WITH REMARKS THAT PRESENT STAGE
IS ONE OF " TOTAL CONFRONTATION," IN WHICH EGYPT WOULD ADHERE
CONTINUOUSLY TO TWO PRINCIPLES: NO CESSATION OF AN INCH OF
LAND, AND NO BARGAINING OVER RIGHTS OF PALESTINIANS. IN
REGARD TO ARAB WORLD, HE SAID THAT " NEGATIVE ASPECTS" OF
ARAB SITUATION, EXACERBATED BY US/ ISRAELI PSYCHOLOGICAL
CAMPAIGN, MILITATED AGAINST ARAB SUMMIT. HE NOTED THAT
BILATERAL CONTACTS WITHIN CAR FRAMEWORK WERE AMONG POSITIVE
ARAB ASPECTS; BUT HE ONLY BRIEFLY " GREETED" SYRIA AND LIBYA
(IN THAT ORDER).

3. HE GAVE DETAILS OF EGYPT' S RECENT DIPLOMATIC DRIVE.
CONCERNING US, SADAT SAID THAT HAFEZ ISMAIL HAD GONE TO
WASHINGTON TO KNOW WHAT WAS ON US MIND, AND TO EXPLAIN
EGYPTIAN STAND TO US. HAFEZ ISMAIL BROUGHT WITH HIM NO PROPOSALS ,
NO INITIATIVES, AND DID NOT RECEIVE ANY. ISMAIL TOLD PRESIDENT
NIXON, SECSTATE ROGERS, AND KISSINGER THAT EGYPT WOULD NOT
AGREE TO RELINQUISH AN INCH OF LAND OR BARGAIN OVER RIGHTS OF
PALESTINIANS. HAFEZ ISMAIL WAS THEN TOLD THAT EGYPT WOULD HAVE
TO OFFER CONCESSIONS IN MANY FORMS. SADAT SAID THAT PRESIDENT
NIXON TOLD ISMAIL THAT PROBLEM WAS HOW TO RECONCILE EGYPTIAN
SOVEREIGNTY WITH REQUIREMENTS OF ISRAEL ' S SECURITY. SADAT
SAID THAT ON THE SURFACE, THIS WAS " POSITIVE TALK;" BUT FACT
THAT US DID NOT DENY (EBAN' S) STATEMENT THAT THERE IS FULL
COORDINATION BETWEEN US AND ISRAEL, AND FACT OF LEAK OF US
WEAPONS DEAL WITH ISRAEL, INDICATES OTHERWISE. CONCERNING
ISRAELI SECURITY REQUIREMENTS, EGYPT REJECTS DISARMAMENT.
EGYPT ALSO REJECTS THOUGHT OF GIVING ISRAEL ANY RIGHTS TO
TERRITORY " UNDER APPARENT COVER OF (EGYPTIAN) SOVEREIGNTY."
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US, SAID SADAT, DEMANDS OPENLY STATED EGYPTIAN CONCESSIONS TO ISRAEL SO THAT US CAN MOVE THE ISSUE. HE ADDED, HOWEVER, THAT US HAS NO POWER OVER ISRAEL. SADAT SAID THAT SECRETARY ROGERS ONLY PROPOSED REOPENING OF SUEZ CANAL BUT EGYPT DOES NOT ACCEPT PARTIAL SOLUTIONS AND ALSO REJECTS THE IDEAL OF SOLVING THE PROBLEM BY STAGES. SHE WILL NOT ACCEPT A SOLUTION INDIVIDUALLY, APART FROM OTHER ARABS. SADAT SAID US ALSO INSISTS ON DIRECT NEGOTIATIONS, WHICH IS TOTALLY UNACCEPTABLE IN FORM AS WELL AS CONTENT. SADAT STATED THAT US STAND IS "MOST SERIOUS" ONE WHOSE CONSEQUENCES US WILL FEEL LATER.

4. AS PART OF CONTINUING DIPLOMATIC EFFORT, EGYPT WILL APPROACH FRENCH TO INQUIRE INTO FRENCH VIEWPOINT. CONCERNING OTHER COUNTRIES, HE SAID CHINESE SUPPORT FOR ARABS HAS NOT CHANGED. YUGOSLAVIA AND INDIA REMAIN NON-ALIGNED. CONCERNING USSR, SOVIETS BACK EGYPT AND SOVIET/ EGYPTIAN RELATIONS HAVE BEEN RESTORED TO "PROPER FRAMEWORK."

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*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts:
Control Number: n/a
Copy: SINGLE
Draft Date: 27 MAR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973CAIRO00909
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: CORE6
Film Number: n/a
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730339/aaaaiwx.tel
Line Count: 305
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 10 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10-Dec-2001 by kelleyw0>; APPROVED <03-Jan-2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 971231
Subject: SADAT' S ADDRESS MARCH 26
TAGS: PBOR, PFOR, PGOV, PINS, PINT, CH, EG, FR, GW, IS, LY, SY, UK, UR, US, XF
To: NEA
SECSTATE WASHDC INFO AMMAN
BEIRUT
JIDDA
MULTIPLE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

